

Message Text

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FOL RPT SAO PAULO 1088 ACTION TREASURY INFO SECSTATE USINFO
WASH BRASILIA RIO DE JANEIRO MIAMI VOA PANAMA VOA PANAMA
MEXICO 12 MAY.

QUOTE

UNCLAS SAO PAULO 1088

USIAC

ATTN: IOP/M, IPS, IBS, RIM, ILA

STATE FOR ARA/PAF

TREASURY FOR JERRY NEWMAN

E.O. 11652: N/A

TAGS: OVIP, PFOR, EXRD, U.S. BR, CI, XM, GATT

SUBJECT: TRANSCRIPT SIMON PRESS CONFERENCE- MAY 11, SAO PAULO

1. FOLLOWING IS TRANSCRIPT OF SECRETARY SIMON'S PRESS CONFERENCE
ON MAY 11, REPEAT MAY 11, AT GOVERNOR'S PALACE, SAO PAULO.

2. QUOTE

(SIMON) WHY DONT WE JUST BEGIN BECAUSE WE DON'T HAVE TERRIBLY
MUCH TIME TO WHATEVER QUESTIONS AND CONCERNS THAT YOU MIGHT HAVE.

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Q. IT IS SAID IN THE PRESS REPORTS TODAY THAT BRAZILAN GOVERNMENT

HAS AGREED TO CHANGE THE SYSTEM OF SUBSIDIZING SOYBEN EXPORTS. IT IS NOT CLEAR IN THE REPORTS WHAT KIND OF SYSTEM AND WHETHER IT WOULD BE A SYSTEM SIMILAR TO ONE THAT EXISTS IN THE UNITED STATES.

(SIMON) SIMILAR TO A SYSTEM THAT EXISTS IN THE UNITED STATES-- WE AGREED TO SEVERAL TRINGS, TO REMOVE THE IMPEDIMENTS THE BARRIERS THAT EXIST TO TRADE BETWEEN OUR TWO COUNTRIES WHICH IS ONE OF THE PURPOSES OF OUR VISIT TODAY.

WE DEALT PRIMARILY WITH THREE AREAS; THE AREA OF SHOES, WITH HANDBAGS AND WITH SOYBEAN OIL.

WE HAVE BEEN THREATENED WITH AN ACTION UNDER SECTION 301 OF OUR TRADE ACT OF 1974 BY OUR SOYBEAN INDUSTRY IN THE UNITED STATES. SO WE RESOLVED THE ISSUE OF ANY ACTION FILED UNDER THIS SECTION THROUGH A PHASE OUT OF THE SUBSIDIES BY THE GOVERNMENT.

ON LEATHER HANDBAGS WE ARE GOING TO WAIVE COUNTERVAILING DUTIES. AND ON OTHER, WE WILL NOT RE-EVALUATE PRESENT COUNTERVAILING DUTIES UNTIL THE FINAL QUARTER OF 1977. THESE ARE VERY IMPORTANT AGREEMENTS BECAUSE UNFORTUNATELY THESE AGREEMENTS WERE IRRITANTS TO TRADE BETWEEN OUR TWO COUNTRIES AND THEY HAVE NOW BEEN EFFECTIVELY RESOLVED.

YOU KNOW, UNFORTUNATELY THERE HAS BEEN A MISUNDERSTANDING OF THE UNITED STATES POLICES ON TRADE AND INVESTMENT FOR SOMETIME. WE HAVE BEEN INACCURATELY DESCRIBED AS MOVING TOWARD PROTECTIONISM. THE UNITED STATES HAS AND WILL CONTINUE TO ESPOUSE A POLICY OF A FREE AND OPEN WORLD TRADING AND INVESTMENT ORDER. BUT FREE TRADE ALSO MEANS FAIR TRADE. WE BELIEVE THAT THE MARKET SHOULD MAKE THE DECISION AS TO WHOM MAKES THE SALE BASED UPON QUALITY AND PRICE; NOT UPON A SUBIDY THAT IT IS OBVIOUS GIVES A COMPETITIVE, UNFAIR COMPETITIVE, ADVANTAGE TO A COMPETITOR. AND OF COURSE, THE WHOLE PURPOSE OF THE MULTILATERAL TRADE NEGOTIATIONS THAT ARE ONGOING NOW, IS TO REMOVE AS MANY TARIFF AND NON-TARIFF BARRIES THAT EXIST SO THAT WE CAN HAVE A LIBERAL WORLD TRADING AND INVESTMENT ORDER WITH SHARED PROSPERITY, AND AN ABSOLUTE MINIMUM OF GOVERNMENT INTERFERENCE.

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-- THAT'S A LONG ANSWER TO YOUR QUESTION.

Q. WHAT IS YOUR VIEW ABOUT BRAZIL'S EFFORTS TO EXPORT MORE TO THE UNITED STATES AND THUS REDUCE THE PRESENT DEFICIT IN THE BALANCE OF PAYMENTS?

(SIMON) I THINK A COUNTRY SHOULD FOCUS ON THE GLOBAL BALANCE PROBLEM-- NOT ON THE BALANCE BETWEEN TWO COUNTRIES. AGAIN,

COMMENSURATE WITH QUALITY AND PRICE, A COUNTRY SHOULD PURCHASE THE GOODS WHERE IT CAN BUY THE BEST GOODS AT THE CHEAPEST PRICE. IT SHOULD MAKE SURE THAT IF IT HAS A DISEQUILIBRIUM IN ITS BALANCE OF PAYMENTS THAT ITS OWN DOMESTIC POLICIES TAKE CARE OF THE DISEQUILIBRIUM AND BRING IT BACK TO STRUCTURAL EQUILIBRIUM; AS I EXPLAINED BEFORE BRAZIL IS IN THE PROCESS OF DOING. YOU HAVE TO LOOK FIRST OF ALL AT WHERE THE DISEQUILIBRIUM OCCURS IN THE BALANCES OF PAYMENTS PROBLEM THAT BRAZIL HAS. FIRST, THE QUADRUPLING OF OIL TWO YEARS AGO, WHICH WAS SO DESTRUCTIVE FINANCIALLY AND INFLATIONARY TO ALL COUNTRIES IN THE WORLD BUT IT HAD PARTICULARLY DEVASTATING EFFECT ON THE LESSER DEVELOPED COUNTRIES. AND OF COURSE, THEN CAME THE WORST RECESSION IN A GENERATION WORLDWIDE WHICH INHIBITED BRAZIL'S ABILITY TO EXPORT. AND OF COURSE THE FUNDAMENTAL ENEMY OF ALL ECONOMIES AND INDEED ALL SOCIETIES-- INFLATION. HISTORY IS LITTERED WITH THE WRECKAGE OF GOVERNMENTS WHO FAILED TO DEAL WITH THE PROBLEM OF INFLATION. AND YOU LOOK AT THE TREMENDOUS GROWTH RATES OF THIS DYNAMIC COUNTRY IN THE (60)'S AND EARLY 70'S UNTIL THESE THREE PARTICULAR PROBLEMS ARRIVED. AND THE VERY CORRECT AND COURAGEOUS ECONOMIC POLICIES THAT HAVE BEEN ADOPTED BY BRAZIL ARE DESIGNED TO PUT YOU BACK ON THE PATH OF REAL GROWTH-- SUSTAINABLE GROWTH. AND THE VERY VIGOROUS AND HEALTHY ECONOMIC RECOVERY THAT IS OCCURRING NOW IN THE UNITED STATES AND IN MOST OF THE EUROPEAN COMMUNITY IS GOING TO ASSIST BRAZIL AND ITS EXPORTS AND ASSIST IN ITS BALANCE-- IN MOVING TOWARD BALANCE.

YOU KNOW, WE SOMETIMES TEND TO VIEW TODAY'S PROBLEM IN SPLENDID ISOLATION AND ADOPT AD HOC POLICIES TO TAKE CARE OF PROBLEMS-- POLITICIANS ARE NOTED TO DO THAT AND THEY VERY SELDOM HAVE VERY MUCH HISTORICAL PROSPECTIVE IN LOOKING AT THINGS. AND I SPEAK ESPECIALLY OF THE UNITED STATES. ESTADOS UNIDOS.

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AND WE ALL REMEMBER THAT THE BALANCE WAS IN BRAZIL'S FAVOR REALLY PRIOR TO 1970.--BEFORE 1970. WHAT IS CORRECTLY BEING FOCUSED UPON IS THE BASIC OF THE PROBLEM IN ADOPTING THE NECESSARY PRESCRIPTION TO SOLVE THE UNDERLINING STRUCTURAL PROBLEM.

Q. WOULD YOU HAVE ANY SUGGESTIONS ON HOW SOLVE THIS PROBLEM? THE MEASURES?

(SIMON) AS I SAID I THOUGHT I ADEQUATELY DESCRIBED IT . YOU ARE INFINITELY BLESSED WITH ONE OF THE FINEST FINANCE MINISTERS IN THE WORLD TODAY-- IN MARIO SIMONSEN. HIS POLICIES ARE PRECISELY WHAT I WOULD DO IF I WERE SITTING IN HIS CHAIR. I PHRASE THAT DIFFERENTLY-- THAT MAKES ME LOOK IMMODEST. HE IS SMARTER THAN I. YOU KNOW IT'S NOT EASY TO BE TOUGH

ACTIONS THAT ARE REQUIRED TO-- TO BEAT THESE PROBLEMS,
POLITICALLY OR SOCIALLY.

Q. I HAVE A QUESTIONS HERE ABOUT MEETING WITH THE GOVERNOR.
WHICH WERE THE SUBJECTS THAT YOU BROUGHT OUT DURING THE CONVERSATION?

(SIMON) I AM DOWN SAO PAULO TO VISIT WITH, OF COURSE, THE
GOVERNEOR AND THE INDUSTRIALISTS AND THE BANKING COMMUNITY;
AND TO GAIN AS COMPREHENSIVE AN UNDERSTANDING OF THIS DYNAMIC
STATE AS I CAN. AND HAD A TOUR D'HORIZON OF THE OPPORTUNITIES
AND STRENGTHENS AND OF COURSE THE PROBLEMS THAT GO WITH A
PROSPEROUS AREA SUCH AS SAO PAULO.

Q. WHAT IS YOUR VIEW ABOUT THE PRESIDENT GEISEL RECENT TRIP
TO EUROPE AND THE-- CALL IT-- EUROPEAN OPTION THAT BRAZIL
IS SAID TO BE TAKING NOW?

(SIMON) I THINK THAT INDEED ALL COUNTRIES SHOULD MAXIMIZE
THEIR MARKETS. BRAZIL-- THE UNITES STATES MARKET IS TODAY BRAZIL'S
LARGEST ESPORT MARKET. THEY OBVOUSLY PRODUCE A QUALITY COMPE-
TITIVE PRICED GOODS THAT SHOULD BE EXTREMELY ATTRACTIVE TO
OTHER PARTS OF THE WORLD AS WELL AS THE UNITED STATES
AND THEY SHOULD GO OUT AND SEEK THOSE MARKETS. THAT IS WHAT
A LIBERAL WORLD TRADING ORDER IS ALL ABOUT-- WHERE EVERY
COUNTRY HAS THE FREEDOM WITHOUT BARRIES, NON TARIFF AND TARI-
FF BARRIERS, TO TRADE FREELY AMONG NATIONS. THAT IS THAT
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WE MEAN WHEN WE TALK ABOUT SHARED PROSPERITY. AGAIN, WITH
MINIMUM GOVERNMENT INTERVENTION.

Q. WHAT YOU PERSONEL VIEW ABOUT BRAZIL'S ADMITTANCE
TO THE EUROPEAN ECONOMIC SCENE?

(SIMON) WELL, IF BY ADMITTED TO THE EUROPEAN SCENE YOU MEAN
INCREASING TRADE WITH THE EUROPEAN COMMUNITY-- YES-- I THINK
THAT'S A VERY POSITIVE DEVELOPMENT FOR THIS COUNTRY.

Q. WELL, ITS A QUESTIONS YOU HAVE PROBABLY ANSWERED BEFORE.
WHAT IS YOUR IMPRESSION OF BRAZIL'S ECONOMIC SITUATION?

(SIMON) WELL, I DID ANSWER THAT QUESTIONS IN QUOTE SOME DETAIL.

Q. WHAT IS YOUR IMPRESSION OF BRAZIL'S POLITICAL DEVELOPMENT
AND IN YOUR VIEW, CAN THE PRESENT STAGE OF THIS DEVELOPMENT
HAVE IMPLICATIONS FOR THE TRADE ECONOMIC REALTIONS WITH THE
UNITED STATES?

(SIMON) POLITICAL DEVELOPMENT?

Q. YES, AS IT APPLIES TO HUMAN RIGHTS.

(SIMON) WELL, I THINK THAT WHEN WE TALK ABOUT INVESTMENT IN THE COUNTRY, WHICH BRAZIL NEEDS, INVESTMENTS FOR ITS FUTURE GROWTH THERE IS NO DOUBT ABOUT THAT. THE UNITED STATES IS TODAY THE MAJOR INVESTOR. OVER THREE AND A HALF BILLION DOLLARS OF THE APPROXIMATE TEN BILLION DOLLARS YOU'VE RECEIVED IN FOREIGN INVESTMENT COME FROM THE UNITED STATES. THERE ARE TWO MAJOR FINANCE THAT EFFECT CAPITAL INVESTMENT COMING FROM THE PRIVATE SECTOR. THAT IS POLITICAL AND ECONOMIC STABILITY, AN OBVIOUSLY BRAZIL'S ABILITY TO BORROW IN THE PRIVATE SECTOR AROUND THE WORLD, ITS ABILITY TO ATTRACT CAPITAL INVESTMENT IN THIS COUNTRY WITH THE VAST POTENTIAL THAT THIS COUNTRY HAS IN SO MANY AREAS--THIS SHOWS YOU THAT THE STABILITY I HAVE DESCRIBES INDEED EXISTS.

Q. OBRIGADO, SENHOR SIMON (THANK YOU MR. SIMON). UNQUOTE
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